

Message Text

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FM AMEMBASSY JAKARTA

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INFO AMEMBASSY CANBERRA

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AMEMBASSY WELLINGTON

AMCONSUL HONG KONG

AMCONSUL SYDNEY

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UNCLAS JAKARTA 10173

HONH KONG PASS TREASURY ATTACHE

E.O. 11652: N/A

TAGS: EFIN OVIP (COLDWELL, PHILLIP E.) ID

SUBJ: VISIT OF DALLAS FEDERAL RESERVE BANK PRESIDENT COLDWELL

REF: A. STATE 166914

B. JAKARTA 9867

DR. AND MRS. PHILLIP COLDWELL SPENT THURSDAY, AUGUST 15, AS GUESTS OF BANK INDONESIA GOVERNOR RACHMAT SALEH, WHO FORESHORTENED TRADITIONAL MOURNING PERIOD AFTER MOTHER'S DEATH TO RETURN TO JAKARTA. FOLLOWING EARLY MORNING MEETING WITH DR. COLDWELL, GOVERNOR ESCORTED HIS GUEST TO PARLIAMENT SESSION ADDRESSED BY PRESIDENT SUHARTO, REPORTED SEPTEL. AMBASSADOR NEWSOM HELD LUNCHEON IN HONOR OF DR. COLDWELL ATTENDED BY HEADS OF US BRANCH BANKS AND REPRESENTATIVE OFFICES IN INDONESIA. FOLLOWING FURTHER DISCUSSION WITH AMBASSADOR NEWSOM AND ECON COUNSELOR, DR. COLDWELL WAS GUEST OF HONOR OF GOVERNOR SALEH AT DINNER OF BANK INDONESIA MANAGERS AND STATE BANK PRESIDENT-DIRECTORS.

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2. IN DISCUSSION, BI GOVERNOR EMPHASIZED INDONESIA'S

PROGRESS IN DEVELOPMENT, AND, SINCE APRIL, INNDEEDCING INFLATION--TO CURRENT ANNUAL RATE OF 18-20 PER CENT (APRIL-JULY). ON INTERNATIONAL MONETARY MATTERS, DR. COLDWELL ELICITED GOVERNOR'S APPRAISAL OF CURRENCY-BASKET FORMULA FOR SDR EVALUATION AS ONLY REALISTIC METHOD. ON SDR DEVELOPMENT LINK, DR. SALEH STATED INDONESIA STRONGLY SUPPORTS THIS CONCEPT BUT FAVORS MORE MODERATE APPLICATION THAN DO SOME LDCS. RESPONDING TO DR. COLDWELL'S QUESTION WHEHTER SDR CREATION COULD BE KEPT WITHIN LIMITS ESSENTIAL TO PRESERVING VALUE AND ACCEPTANCE AS RESERVE ASSET, GOVERNOR NOTED THAT MAJOR NATIONS LIKELY TO RETAIN DECISIVE SAY IN CREATION LIMITS. DOMESTICALLY DR. SALEH HIGHLIGHTED DIFFICULTIES OF COPING WITH RURAL DEVELOPMENT NEEDS, OF KEEPING EXPECTATIONS WITHIN REALISTIC BOUNDS IN WAKE OF DRAMATIC REVENUE INCREASES, AND OF BUILDING UP PRIVATE BANKING SECTOR. DURING DINNER INDONESIAN OFFICIALS COMMENTED ON ISLAMIC DEVELOPMENT BANK MEETING IN JIDDA. INDONESIA'S CAPITAL SHARE SET AT \$25 MILLION, COMPARED WITH \$15 MILLION FOR BANGLADESH. HEEDING STRICTURES OF KORAN AGAINST USURY, CONFERENCE AGREED ADMINISTRATIVE FEES TO BE CHARGED FOR LOANS TO BE SET ON CASE-BY-CASE BASIS, AS SUBSTITUTE FOR INTEREST PAYMENTS.

3. AT AMBASSADOR'S LUNCHEON, PRINCIPAL TOPIC WAS DIFFICULTY OF US BANKING COMMUNITY IN COMMUNICATING WITH BANK INDONESIA ON PROBLEMS AND IN OBTAINING CLARIFICATION OF BI DECISIONS. IN ADDITION TO RAISING THIS CONCERN BRIEFLY WITH GOVERNOR THAT REVENING, AMBASSADOR AGREED TO CONTINUE WORKING WITH BANKING COMMUNITY IN SEARCH FOR WAYS TO ALLEVIATE THIS DIFFICULTY. OTHER MAIN LUNCHEON TOPIC WAS CONTINUED HIGH ATTENTION TO INDONESIA BY US BUSINESS INTERESTS AS ATTRACTIVE POTENTIAL SOURCE OF BASIC MATERIALS AND LABOR, BUT CONCURRENT SHARP DROP IN INVESTMENT PROJECT APPLICATIONS FOLLOWING POST-JANUARY DETERIORATION IN INVESTMENT CLIMATE.

MEWSOM

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